BC Rail Ltd.

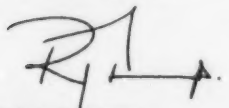
2000 Annual Report Summary

Message from the Plan Sponsor

Having recently joined the BCR Group of Companies, I am pleased to find that I am joining an organization whose strong stewardship of its pension plan has provided such a reliable source of pension security for its members.

Streamlining of plan administration and enhanced arrangements with respect to trusteeship are expected improvements for 2001. These changes will further improve turn-around times and reporting capabilities.

I look forward to a long association with BC Rail and its pension plan and the opportunity to meet most of you in the coming months, at which time I would welcome your comments on the plan as well as on any other aspect of our corporate benefit arrangements.



Robert L. Phillips
President and Chief Executive Officer
BC Rail Ltd.

Trustee's Report

The asset mix policy range effective during the year was as follows:

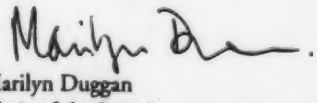
Debt 30%–50% of the total portfolio, comprised of:	
Short-term	a maximum of 30%
Bonds	20%-50%
Mortgages	a maximum of 10%
Equities 50%–70% of the total portfolio, comprised of:	
Canadian equities	20%–50%
U.S. equities	a maximum of 14%
Non-North American equities	a maximum of 14%
Real estate	a maximum of 10%

The upper limits for U.S. equities, non-North American equities and real estate may be exceeded on a temporary basis due to the non-liquid nature of these asset classes. However, the investment manager must rebalance the asset mix as soon as is practical.

Periodic reviews are undertaken regarding the appropriate asset mix and, as a result, the percentages of investments held in each class may vary in the future. During 2000, the fund was invested in accordance with regulations and the approved asset mix policy.

Prior to April 2000, the Superannuation Commissioner, a public officer of the Province of British Columbia was the trustee of the pension plan. On April 1, 2000, the office of the Superannuation Commissioner was abolished and many of the functions of that position were taken over by the British Columbia Pension Corporation.The Pension Corporation has acted as trustee of your pension plan on an interim basis and has requested that BC Rail Ltd. appoint a new trustee for the plan.
A search is currently underway to locate the best party to take on this role, with a continued emphasis on due diligence and fiscal responsibility toward plan members and beneficiaries. It is expected that an announcement will be made in the early summer of 2001 respecting the appointment of the new trustee.

I am confident that this new arrangement will continue to ensure that all appropriate steps are taken to meet the original aims of the plan in providing secure lifetime retirement income to the membership.



Marilyn Duggan
Chair of the Board
British Columbia Pension Corporation

Message from the Pension Committee

Your Pension Committee is established under the provisions of the pension plan to deal with the administration and interpretation of the plan rules, to communicate with plan members and to make recommendations to the Board of Directors on matters related to the plan. The members of the committee review all aspects of the plan's design and financing and are empowered to engage professional consultants, should it be deemed necessary. Plan members may address questions and concerns related to the plan to the committee for advice or consideration.

The Pension Committee met only once during 2000. They addressed specific issues raised by members as well as the performance standards of the plan administrators. The service issues associated with the introduction of the Pension Corporation's new pension administration system have, in most cases, been resolved.

The actuarial valuation of your pension plan as of December 31, 1999 was completed, and the plan continues to be in a very favorable surplus position. Despite the dramatic shifts in the financial markets in the latter part of 2000, the investment results for the year will reflect the ongoing stability of the fund and its stewardship by the BC Investment Management Corporation under the guidance of BC Rail management and the plan trustee. As a result, the contribution holiday continues for the foreseeable future.

The chair of the Pension Committee has traditionally been held by the person holding the office of Superannuation Commissioner. This office was eliminated by statute on April 1, 2000, and thus I relinquished the position of chair. A new chair will have to be appointed under the provisions of the plan rules. I would like to thank the members of the committee for their co-operation and support during the short time that I served as chair of the committee.

The committee welcomes your comments, questions and suggestions regarding matters related to the pension plan

John A. Mochrie, Chair

PENSION COMMITTEE, DECEMBER 31, 2000

Chair

John A. Mochrie Tel (250) 387-8201;
Fax (250) 387-4199;
E-mail john.mochrie@gems7.gov.bc.ca

Employee Representatives

Frances (Frankie) Ferguson Tel (604) 898-9243;
Fax (604) 892-2249; E-mail fergi2@uniserve.ca

Randy Gatzka Tel (604) 986-8880; Fax (604) 986-8103;
E-mail rgatzka@direct.ca

Employer Representative

Linda Van Dyke Tel (604) 984-5327;
Fax (604) 984-5090; E-mail vandykel@bcrail.com

Actuarial Valuation/Plan Funding

The BC Rail Ltd. Pension Plan is funded by contributions from both BC Rail and its employees. Every three years, an independent actuary assesses the adequacy of the contribution rates for funding the pension plan. At the last actuarial valuation on December 31, 1999, the BC Rail Ltd. Pension Fund had a surplus of $137.2 million. Because of the surplus, a temporary holiday from contributions has been in effect since July 1, 1996. This holiday continued throughout 2000.

AL REPORT SUMMARY

The Plan and Benefits

The BC Rail Ltd. Pension Plan is a contributory defined benefit pension plan. This means employees' basic pensions are guaranteed regardless of the financial health of the plan. Benefits are based on the employee's highest five years of salary, length of service, and age at retirement. The plan provides entitlement to a pension after two or more years of plan membership.

Plan Assets

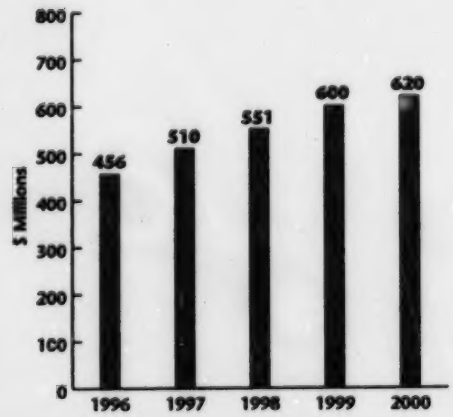
Financial Statement Highlights (Unaudited)

$ Millions

	December 31 2000	1999
Net Assets Available for Benefits, Beginning of Year	$599.7	$551.2
Investment Income	37.4	64.2
Contributions	–	–
Pension and Termination Benefits	(17.2)	(15.7)
Net Assets Available for Benefits, End of Year	$619.9	$599.7

Net Assets Available for Benefits

as at December 31, 1996–2000



Investments

The BC Rail Ltd. Pension Fund holds a diversified portfolio of debt and equity investments that facilitates prudent management of risk. The BC Investment Management Corporation manages the plan's funds using external and internal managers. In 2000, the plan's net assets grew from about $600 million to about $620 million.

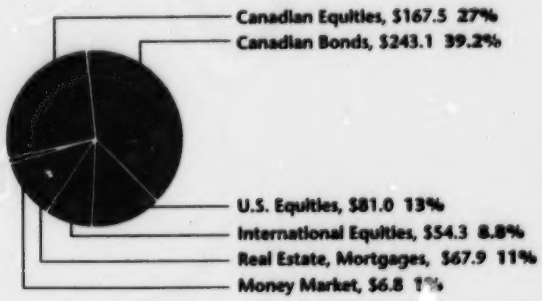
Approved Investment Asset Mix

as at December 31, 2000

	Market Value	
Asset Class	Lower Limit	Upper Limit
Debt	**30%**	**50%**
Short-term	0%	30%
Bonds	20%	50%
Mortgages	0%	10%
Equity	**50%**	**70%**
Canadian Stocks	20%	50%
U.S. Equities	0%	14%
International Equities	0%	14%
Real Estate	0%	10%

2000 Investment Holdings (Market Value)

$ Millions


Canadian Equities, $167.5 27%
Canadian Bonds, $243.1 39.2%
U.S. Equities, $81.0 13%
International Equities, $54.3 8.8%
Real Estate, Mortgages, $67.9 11%
Money Market, $6.8 1%

Investments as at December 31, 2000

$ Millions

	Performance Benchmarks 2000	2000	1999
Market Value		$620.6	$600.2
Market Value Rates of Return			
Annual	5.8%	6.3%	11.9%
Five-year Average	12.0%	12.1%	13.7%

This publication is produced by the
Pension Corporation on behalf of
BC Rail Ltd.

For additional copies of this annual report, contact:
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Fax your request to (604) 984-5090

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BC Rail Ltd.
Pension Plan

2000 Annual Report

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BC Rail Ltd.
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TRUSTEE'S REPORT

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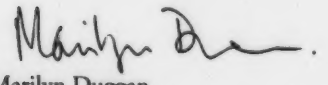

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MESSAGE FROM THE PENSION COMMITTEE

PENSION COMMITTEE, DECEMBER 31, 2000

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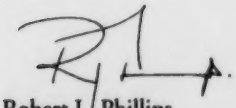
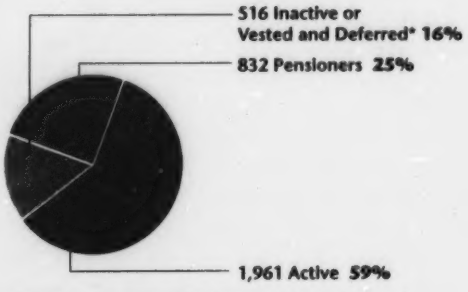


Robert L. Phillips
President and Chief Executive Officer
BC Rail Ltd.

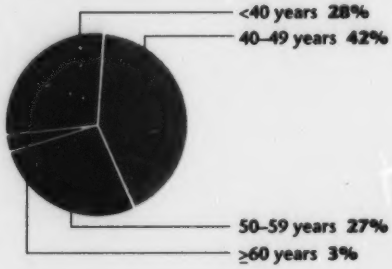
FINANCIAL AND OPERATIONAL HIGHLIGHTS

2000 Membership Profile



*MEMBERS NO LONGER EMPLOYED, BUT WITH MONEY IN THE PLAN.

2000 Age Profile of Active Members



Investments as at December 31, 2000

$ Millions

	Performance Benchmarks 2000	2000	1999
Market Value		$620.6	$600.2
Market Value Rates of Return			
Annual	5.8%	6.3%	11.9%
Five-year Average	12.0%	12.1%	13.7%

Latest Actuarial Valuation–December 31, 1999

$ Millions

	Basic Pension Benefits 1999	1997
Actuarial Net Assets	$568.0	$479.2
Actuarial Liabilities	430.8	402.4
Net Actuarial Surplus	$ 137.2	$ 76.8

The value of actuarial net assets is calculated using an adjusted market value method. With this method, investment asset values are adjusted to reflect long-term market value trends and, therefore, to be more stable than short-term market value fluctuations.

Net Assets Available for Benefits

as at December 31, 1996–2000

Five-year Summary Statement of Changes in Net Assets Available for Benefits (Unaudited)

$ Thousands

For the year ended December 31	2000	1999	1998	1997	1996
Increase in Assets					
Net Investment Income					
Total Investment Income	$ 38,338	$ 64,892	$ 57,432	$ 66,368	$ 65,958
Investment Management Costs	(911)	(710)	(781)	(850)	(517)
	37,427	64,182	56,651	65,518	65,441
Contributions					
Members	1	15	41	10	2,544
Employer	1	7	46	12	2,531
Total Increase in Assets	37,429	64,204	56,738	65,540	70,516
Decrease in Assets					
Pension Benefits	12,556	11,817	11,021	9,927	9,123
Termination Benefits	4,653	3,961	3,978	2,350	2,048
Total Decrease in Assets	17,209	15,778	14,999	12,277	11,171
Increase in Net Assets	20,220	48,426	41,739	53,263	59,345
Net Assets Available for Benefits at Beginning of Year	599,666	551,240	509,501	456,238	396,893
Net Assets Available for Benefits at End of Year	$619,886	$599,666	$551,240	$509,501	$456,238
Pension Administration Costs (paid directly by BC Rail)	217	300	622	213	288
		As a Percentage of Net Assets			
Investment Management Costs	0.15%	0.12%	0.14%	0.17%	0.11%
Pension Administration Costs	0.04%	0.05%	0.11%	0.04%	0.06%

ROLES AND RESPONSIBILITIES

Trustee

Effective April 1, 2000, the newly-formed British Columbia Pension Corporation assumed the role of trustee on an interim basis.

British Columbia Pension Corporation

The British Columbia Pension Corporation (formerly the Superannuation Commission) provides benefit administration services for the BC Rail Ltd. Pension Plan.

BC Rail Ltd. Pension Plan Committee

The BC Rail Ltd. Pension Plan Committee was established to make recommendations to BC Rail Ltd. regarding changes in benefits and modifications to the plan and its administrative practices. The committee consists of two employee representatives, two employer representatives and the Chief Executive Officer of the Pension Corporation, who acted as chair on an interim basis.

British Columbia Investment Management Corporation (bcIMC)

The British Columbia Investment Management Corporation (formerly the Office of the Chief Investment Officer of the Ministry of Finance and Corporate Relations) manages BC Rail Ltd. Pension Plan investments within asset mix policies approved by the plan's trustee.

The Board of Directors of BC Rail Ltd. and the corporation's Chief Investment Officer (CIO) is under legislative obligation to act in the financial interest of the plan's beneficiaries and in accordance with the investment policies of the plan, which are reviewed on a regular basis.

INVESTMENTS

Message From the Chief Investment Officer

Review of Markets

The 1990s were an incredible decade economically and for capital markets. The United States had the longest economic expansion in its history. There was significant improvement in fiscal performance as many governments went from running large deficits to budgetary surpluses. At the same time, globalization and productivity improvements led to declining inflation and interest rates.

Falling interest rates and strong economic growth led to strong inflows of capital to equity markets, particularly from retail investors. The net effect was to push stock prices higher and higher. As a result, returns in the 1990s were exceptionally strong. During the decade, in Canadian dollar terms, the Standard & Poor's (S&P) 500 index increased at an annualized rate of 21.0% and the Toronto Stock Exchange (TSE) 300 index increased an annualized rate of 10.6%. The returns for the five years ending December 31, 1999 were even higher at 29.5 and 17.0% respectively.

The strong economic conditions and returns caused many investors to become enamoured by the "new economy" and technology, media, and telecommunications stocks. As a result, there were large capital inflows to these sectors and fundamental valuation measures (e.g., price/earnings ratios) fell by the wayside.

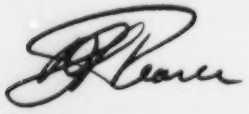
There are two downsides to this phenomenon. First, it created an asset bubble. Second, it led to a misallocation of capital. For example, telecommunications companies paid billions of dollars in government auctions for G-3 mobile phone licenses.

The prospect of a slowing global economy and the failure of high-tech and telecommunications companies to meet earnings expectations led to a significant reversal in 2000. With the exception of Canada, all major stock markets had negative returns last year. Furthermore, the correction is not yet over as equity markets have continued to produce very disappointing returns during the first quarter of 2001.

While short-term returns have been disappointing, corrections are an essential market mechanism for eliminating asset bubbles and the misallocation of capital. As such, the current correction will improve the long-term health of the market.

Pension plans have a long-term investment horizon and, as such, should not be unduly concerned about short-term performance. In addition, the BC Rail Ltd. Pension Plan has a very diversified portfolio and this reduces its exposure to market corrections. Finally, the British Columbia Investment Management Corporation, and its external managers, took some defensive actions in the summer and fall to reduce the Plan's exposure to high-tech/telecommunication companies.

The net effect is that the BC Rail Ltd. Pension Plan still earned a 6.3% return in 2000, and this was 0.5% above its market benchmark. On a ten-year basis, the BC Rail Ltd. Pension Plan has an annualized return of 11.4%. Consequently, despite the recent setback, the Plan has posted strong long-term rates of returns.



Doug Pearce
Chief Investment Officer
British Columbia Investment Management Corporation

Approved Investment Asset Mix

as at December 31, 2000

	Market Value	
Asset Class	Lower Limit	Upper Limit
Debt	**30%**	**50%**
Short-term	0%	30%
Bonds	20%	50%
Mortgages	0%	10%
Equity	**50%**	**70%**
Canadian Stocks	20%	50%
U.S. Equities	0%	14%
International Equities	0%	14%
Real Estate	0%	10%

Approved Investment Asset Mix

The asset mix policy range in the chart shown here was approved by the trustee and was in effect during 2000.

Strategic and short-term asset allocation targets are set within these ranges. Short-term for asset mix purposes includes Canadian government bonds with one- to five-year terms and money market securities.

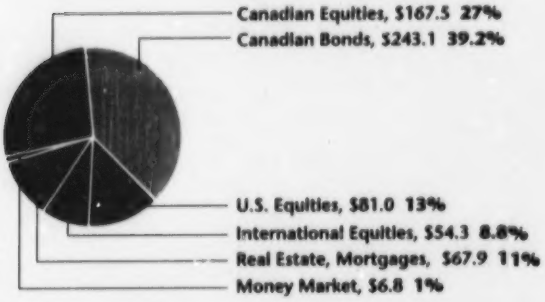
Investment Portfolio

Investments Held as at December 31, 2000

	Market Value	Asset Mix % Market Value
Bentall Corporation Shares	**$ 483,963**	
Money Market	6,771,537	1%
Canadian Bonds		
Government	180,935,635	
Corporate	24,417,651	
Short-term	37,770,312	39%
Canadian Equities		
Indexed	45,348,986	
Actively Managed	121,631,126	27%
U.S. Equities		
Indexed	51,844,814	
Actively Managed	29,197,912	13%
International Equities		
Asia	9,004,494	
Europe	19,365,334	
Europe, Australia and the Far East	25,921,502	9%
Real Estate	47,269,367	8%
Mortgages	20,673,571	3%
Total Pooled Portfolios	**$620,152,241**	**100%**
Total Investments	**$620,636,204**	**100%**
1999 Comparison	$600,200,101	

2000 Investment Holdings (Market Value)

$ Millions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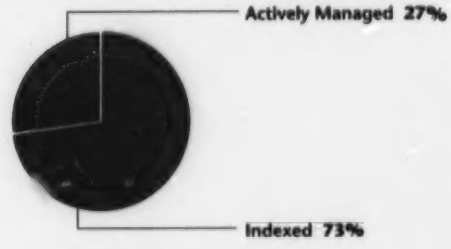
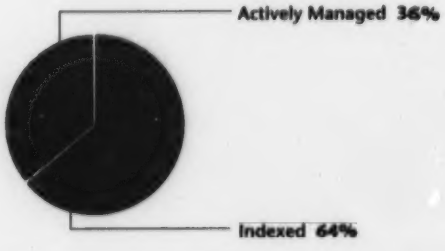
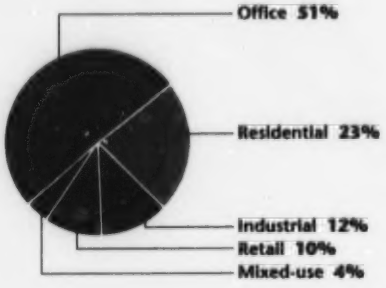
Canadian Equities (Market Value)



U.S. Equities (Market Value)



Real Estate Pool, by Type



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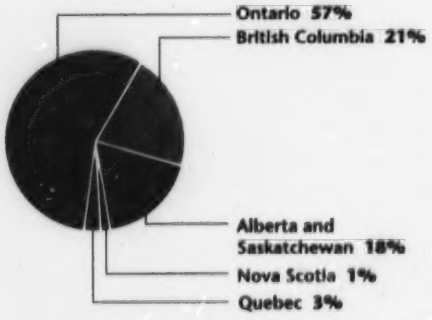
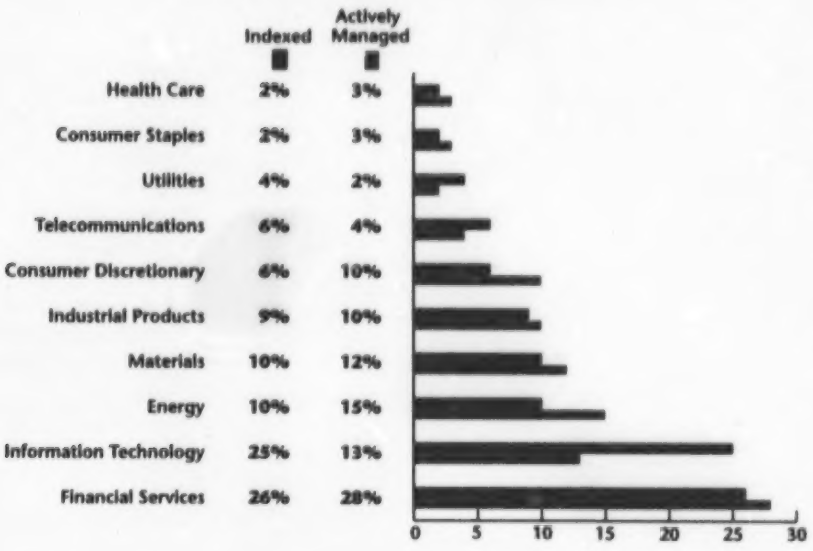
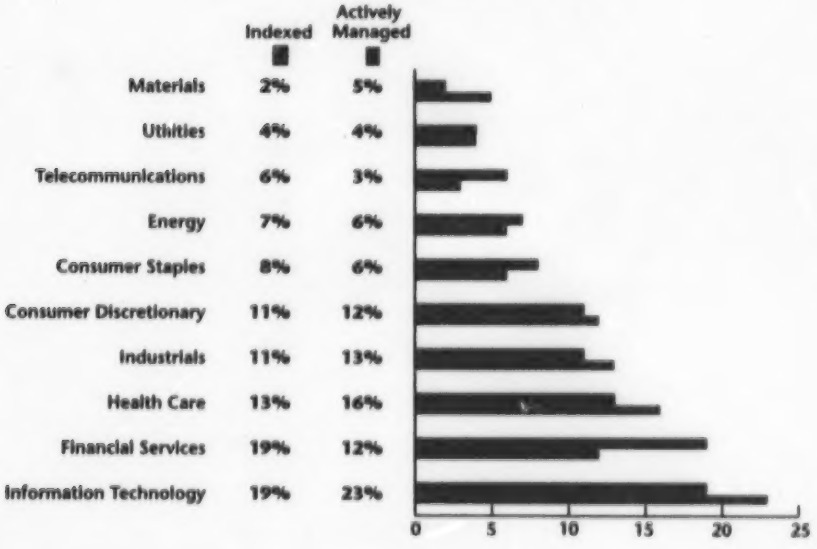


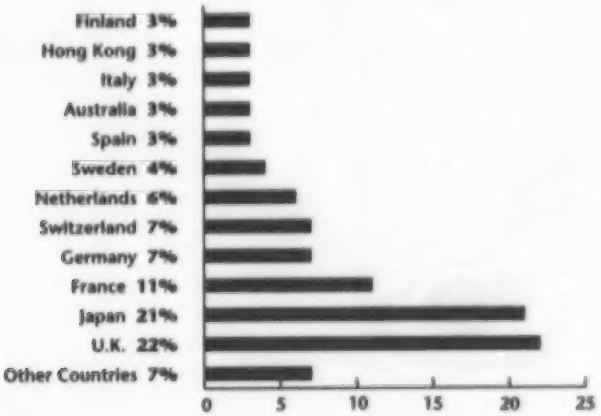
Canadian Equity Pools, by Sector



U.S. Equity Pools, by Sector



International Equities, by Country



Investment Performance

Market Value Rates of Return for the Year Ended December 31, 2000

		Performance Benchmarks	
Five-year Average Rates			
2000	12.1%	12.0%	
1999 Comparison	13.7%	13.5%	
Annual Rates			
2000	6.3%	5.8%	
1999 Comparison	11.9%	12.7%	
2000 Annual Rates by Investment Category		**2000 Performance Benchmark Indices**	
Short-term			
Money Market	5.8%	5.5%	SCI 91-day Treasury Bills
Bonds	8.2%	8.2%	SCI Short-term Bonds
Bonds			
Government	10.8%	10.6%	SCI Government Universe
Corporate	9.5%	9.1%	SCI Corporate Universe
Canadian Equities			
Actively Managed	18.7%	7.4%	TSE 300
Indexed			
TSE 300	8.6%	7.4%	TSE 300
TSE 100	8.5%	7.6%	TSE 100
U.S. Equities			
Actively Managed	(3.1%)	(4.6%)	R1000
Indexed	(5.7%)	(5.9%)	S&P 500
International Equities			
Asia	(36.0%)	(23.2%)	MSCI Pacific Basin Net
Europe	(6.9%)	(5.2%)	MSCI Europe Net
Europe, Australia and the Far East	(10.7%)	(11.2%)	MSCI EAFE Net
Real Estate	8.3%	11.8%	R Canadian Property
Mortgages			
Fixed-term	10.2%	9.3%	SCI Short-term Bonds + 1%
Construction	9.3%	7.2%	SCI One-year Bills + 1%

(SOURCE OF ANNUAL RATES: BC INVESTMENT MANAGEMENT CORPORATION)

PERFORMANCE BENCHMARK INDICES ABBREVIATIONS

SCI	=	SCOTIA CAPITAL INC.
S&P	=	STANDARD & POOR'S
R	=	RUSSELL
MSCI	=	MORGAN STANLEY CAPITAL INTERNATIONAL
TSE	=	TORONTO STOCK EXCHANGE
EAFE	=	EUROPE, AUSTRALIA AND FAR EAST

ACTUARIAL VALUATION/ PLAN FUNDING

The BC Rail Ltd. Pension Plan is funded by contributions from both BC Rail and its employees. Every three years, an independent actuary assesses the adequacy of the contribution rates for funding the pension plan. At the last actuarial valuation on December 31, 1999, the BC Rail Ltd. Pension Fund had a surplus of $137.2 million. Because of the surplus, a temporary holiday from contributions has been in effect since July 1, 1996. This holiday continued throughout 2000.

Latest Actuarial Valuation – December 31, 1999
Basic Pension Benefits

	$ Millions		
	1999	1997	1995
Actuarial Net Assets	$568.0	$479.2	$385.9
Actuarial Liabilities	430.8	402.4	340.5
Net Actuarial Surplus	$137.2	$ 76.8	$ 45.4

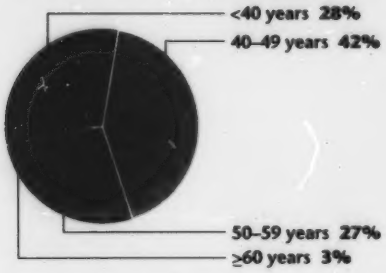
MEMBER SERVICES

Members and Contributions

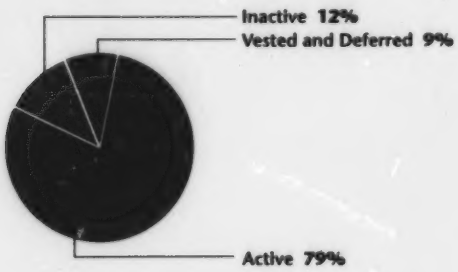
Active membership in the BC Rail Ltd. Pension Plan has declined in recent years. Members are defined as:

- active – those who are currently employed, or are receiving benefits from an approved salary continuance plan or are on leave of absence or lay-off,
- inactive – those who have terminated employment with contribution balances on record, but are not currently eligible for a future pension, and
- vested and deferred – those who have terminated employment, and are eligible for a future pension.

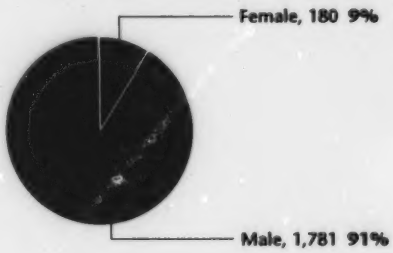
2000 Age Profile of Active Members



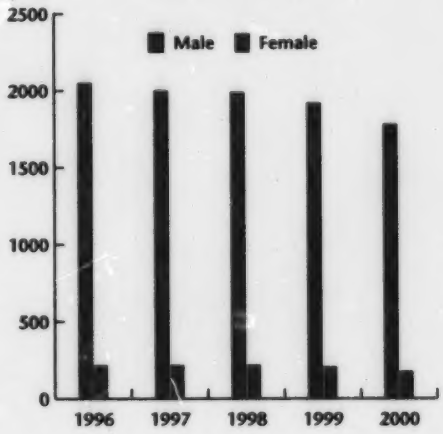
2000 Member Profile



2000 Active Member Profile



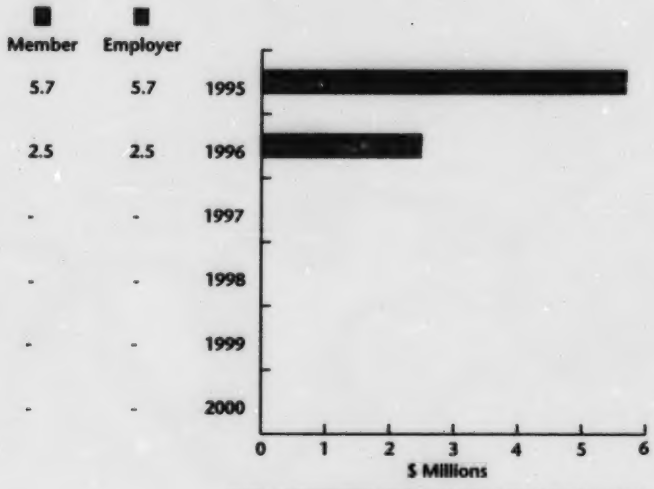
Active Members



Number of Members

	Active	Inactive	Vested and Deferred	Total
1996	2,256	378	109	2,743
1997	2,244	355	124	2,723
1998	2,211	421	120	2,752
1999	2,129	303	147	2,579
2000	1,961	299	217	2,477

Regular Contributions



NOTE: A CONTRIBUTION HOLIDAY HAS BEEN IN EFFECT SINCE JULY, 1996.

Termination Benefits

A terminating member may be eligible for one or more of the following benefits:

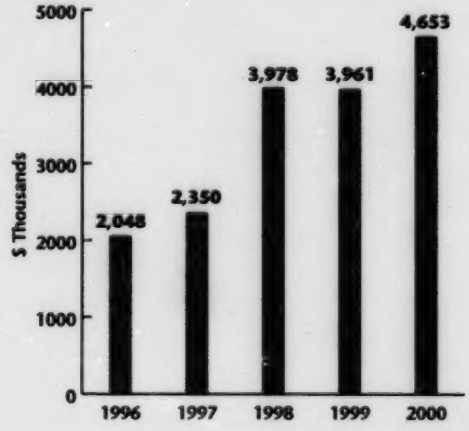
- a refund of contributions with interest,
- a transfer to a locked-in registered retirement savings plan, or a registered pension plan, of either the commuted value of the pension benefit, or 150% of his or her personal contributions with interest, whichever is greater, or
- a deferred pension.

For terminations after January 1, 1998, a member with two or more years of service has vested, locked-in benefits that can be taken only as a commuted value transfer or a deferred pension.

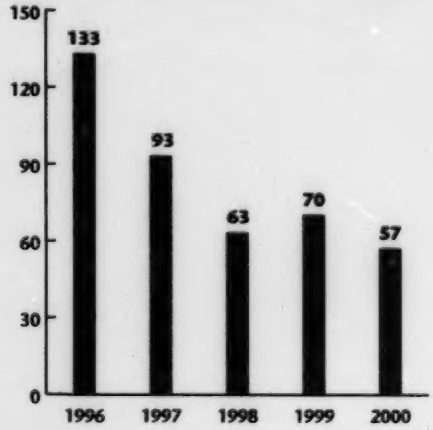
The number of termination benefits paid in a given year can vary significantly. Values of benefits paid in recent years have been higher, primarily as a result of increased commuted value payments.

If a non-vested member leaves the plan and takes a refund of contributions, the refund includes interest. Interest is credited and compounded annually to the member's contribution balance. The balance, including interest, is included in the plan member's annual benefit statement.

Value of Termination Benefits Paid



Number of Termination Benefits Paid



TERMINATION BENEFITS INCLUDE EITHER REFUNDS OF CONTRIBUTIONS OR COMMUTED VALUE TRANSFERS; DEFERRED PENSIONS ARE INCLUDED IN PENSION STATISTICS.

Annual Rates for Interest Credited to Contribution Balances

1996	5.74%
1997	4.60%
1998	4.30%
1999	4.40%
2000	5.30%

Pensions

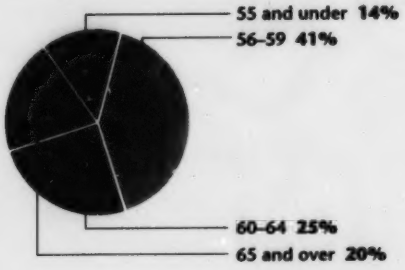
The number of pensioners continues to grow, primarily as a result of the aging member population. The number of pensioners receiving benefits increased 5% from 1999 to 2000.

Pensions are paid at the end of each month, beginning with whichever of the following comes latest:

- the month following the month in which the plan member becomes eligible,
- the month following the month in which the plan member receives the final salary payment, or
- the month in which the Pension Corporation receives the member's application.

The plan pays a full month's pension for the month in which a pensioner dies.

Percentage of 2000 Normal Pensions, by Age



Pensions 1997–2000

	Granted During Year	Pension Terminations	In Force at End of Year	Pensions Paid ($ Millions)
1997	49	8	706	9.9
1998	68	14	760	11.0
1999	43	12	791	11.8
2000	66	22	832	$12.6

Pensions Granted, by Type, 1997–2000

	Normal*	Death*	Disability+	Deferred	Total
1997	36	0	8	5	49
1998	51	0	12	5	68
1999	37	1	3	2	43
2000	51	2	4	9	66

* PENSIONS GRANTED DO NOT INCLUDE ANY PENSION CONTINUED TO A BENEFICIARY UPON THE DEATH OF A PENSIONER.
+ INCLUDES MEMBERS ON LONG-TERM DISABILITY WHO BECAME ELIGIBLE FOR A REGULAR PENSION.

2000 Normal Pensions, Age at Retirement

Subdivided by years of service and age at retirement

Years of Service	≤55	56–59	60–64	65+	Total
<10 yrs	1	3	0	1	5
10 – 14	1	0	1	3	5
15 – 19	0	5	1	2	8
20 – 24	2	3	5	2	12
25 – 29	2	6	5	1	14
30 – 34	0	2	1	1	4
>35 yrs	1	2	0	0	3
Total	7	21	13	10	51

The value of a basic pension depends on a number of factors, including the member's age, salary and years of service at retirement.

The table below shows the average asset value ("present value") of pensions granted during the year. The value represents approximately how much money it would cost to purchase an average pension benefit provided under the BC Rail Ltd. Pension Plan.

Value of Normal Pensions Granted January 1, 2000, to December 31, 2000

Subdivided by years of service

Years of Service	Number of Pensions Granted	Average Annual Salary Base	Average Annual Pension (Single Life Option)	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
<10 yrs	5	$47,000	$ 5,000	$ 60,000	$ 0.3
10 – 14	5	60,000	11,000	123,000	0.6
15 – 19	8	52,000	13,000	161,000	1.3
20 – 24	12	53,000	17,000	232,000	2.8
25 – 29	14	58,000	22,000	327,000	4.6
30 – 34	4	64,000	31,000	455,000	1.8
>35 yrs	3	59,000	32,000	527,000	1.6
Total	51	n/a	n/a	n/a	$13.0
All Pension Average	n/a	$56,000	$19,000	$255,000	n/a

Percentage of 2000 Normal Pensions by Years of Service

<10 years	10%
10–14	10%
15–19	15%
20–24	24%
25–29	27%
30–34	8%
>35 years	6%

Other

Purchase of Additional Service

It may be possible for plan members to purchase additional service. Purchasable service may include:

- approved leaves of absence, and
- arrears contributions.

Member and Employer Purchases of Additional Service

	Number of Purchases		Value of Purchases ($ Thousands)	
	2000	1999	2000	1999
Approved Leaves of Absence	1	4	$2	$22
Arrears Contributions	–	–	–	–
Total	1	4	$2	$22

PRICEWATERHOUSECOOPERS

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Vancouver British Columbia
Canada V6B 5A5
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Facsimile +1 (604) 806 7669

March 16, 2001

Auditors' Report

To Board of Directors of BC Rail Ltd., and
To the British Columbia Pension Corporation, Trustee

We have audited the statement of net assets available for benefits of the **BC Rail Ltd. Pension Plan** as at December 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the British Columbia Pension Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the British Columbia Pension Corporation's management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits as at December 31, 2000 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at and for the year ended December 31, 1999 were audited by other auditors who expressed an opinion without reservation on these financial statements in their report dated March 22, 2000.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

PENSION CORPORATION

Executive Offices

Mailing Address:
PO Box 9460
Stn Prov Govt
Victoria BC
V8W 9V8

Location:
2995 Jutland Road
Victoria BC
V8T 5J9

Phone:
250-387-8201
1-800-663-8823
Fax:
250-953-0429

BC RAIL LTD. PENSION PLAN

ADMINISTRATOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the BC Rail Ltd. Pension Plan were prepared by the British Columbia Pension Corporation, the benefit administrator for the plan. The corporation is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report for the plan conforms to these financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by the British Columbia Pension Corporation's management, as well as evaluating the overall financial statement presentation.

The firm of William M. Mercer Limited has been appointed the independent consulting actuary to the plan. The role of the actuary is to complete an actuarial valuation of the plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of PricewaterhouseCoopers LLP has performed an independent audit of the financial statements of the plan in accordance with generally accepted auditing standards. The resulting audit opinion is set out in the auditor's report attached to these financial statements.

JOHN A. MOCHRIE
Chief Executive Officer
British Columbia Pension Corporation

P. LOUISE YOUNG, C.A.,
Vice-President, Information Management,
Finance and Administration
British Columbia Pension Corporation

March 16, 2001

BC RAIL LTD. PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

December 31	2000	1999
ASSETS		
Investments (Note 3)	$ 620,636	$ 600,200
Receivables		
Employer's contributions	5	5
Accrued investment income	2	-
Due from sale of investments	291	-
Other	46	164
	344	169
Cash	3	7
Total Assets	620,983	600,376
LIABILITIES		
Accounts payable and accrued expenses	767	710
Payable for purchase of investments	330	-
Total Liabilities	1,097	710
NET ASSETS AVAILABLE FOR BENEFITS	$ 619,886	$ 599,666

Obligations for Pension Benefits (Note 6)

The eight accompanying notes are an integral part of these financial statements.

John A. Mochrie
Chief Executive Officer
British Columbia Pension Corporation

P. Louise Young, C.A.,
Vice-President,
Information Management, Finance
and Administration

BC RAIL LTD. PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended December 31	2000	1999
INCREASE IN ASSETS		
Net investment income (Note 4)	$ 37,427	$ 64,182
Contributions (Note 5)		
Members	1	15
Employer	1	7
	2	22
Total Increase in Assets	37,429	64,204
DECREASE IN ASSETS		
Pension benefits paid	12,556	11,817
Termination benefits paid	4,653	3,961
Total Decrease in Assets	17,209	15,778
INCREASE IN NET ASSETS	20,220	48,426
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	599,666	551,240
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 619,886	$ 599,666

BC RAIL LTD. PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

1. DESCRIPTION OF THE BC RAIL LTD. PENSION PLAN

The following brief description of BC Rail Ltd. Pension Plan (the plan) is provided for general information only. For more information, reference should be made to the plan document.

a) General

The plan is a contributory defined benefit pension plan. All employees who work more than 25 hours per week and who have completed six months probation are required to enroll. Part-time employees have the option to enroll if they have earned 35% of the Canada Pension Plan earnings ceiling in two consecutive calendar years.

b) Roles and Responsibilities

Effective April 1, 2000 the British Columbia Pension Corporation replaced the Superannuation Commission and continues to provide benefit administration services for the plan.

A trust fund is maintained for the plan in which contributions accumulate and are invested to pay current and future pension benefits. The trustee places funds available for investment with the British Columbia Investment Management Corporation (previously known as the Office of the Chief Investment Officer), which is responsible for day-to-day investment management. Investments are managed within an asset mix policy approved by the trustee.

The BC Rail Pension Committee was established to make recommendations to BC Rail Ltd. regarding changes in benefits, modifications to the plan and the administrative practices of the plan.

c) Pension Benefits

All members with two years of credited service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 25 years of pensionable service; or
- at age 55 or older, with a total of age plus service equalling 85 or more.

BC RAIL LTD. PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

1. DESCRIPTION OF THE BC RAIL LTD. PENSION PLAN (continued)

c) Pension Benefits (continued)

Other retiring members have a reduction formula applied to their pensions.

The plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the plan provides an unreduced benefit of 1.3% of pensionable earnings, up to the average CPP Year's Maximum Pensionable Earnings (YMPE) and 2% of pensionable earnings over the YMPE, for each year of credited service (to a maximum of 35 years). Pensionable earnings is based on the member's highest five-year average salary out of any consecutive ten-year period (HAS). The plan also provides a bridging benefit which is payable to age 65 (or the date of death, if earlier). The unreduced bridging benefit is 0.7% of the lesser of YMPE or the HAS, for each year of the member's pensionable service since January 1, 1966 (when CPP was introduced).

Increases to pension payments are provided each January 1 in accordance with the excess interest indexing provisions of the plan. These increases relate to the rates of return of the plan and the annual increase in the Consumer Price Index (CPI) as at the previous September 30. The granting of indexing is subject to the adequacy of the rate of return in the prior year and, if applicable, the availability of funding set aside in the indexing reserve (see Note 6). At January 1, 2000, pensioners received a full CPI increase of 2.6% (1999 – 0.7%). A full CPI increase of 2.7% will be provided at January 1, 2001.

d) Termination Benefits and Reciprocal Arrangements

A terminating member who is not eligible for a pension benefit may receive a refund of contributions with interest.

A terminating member who is eligible for a pension benefit, may choose one of the following benefits:

- a deferred pension; or
- a transfer of the greater of the commuted value of the pension benefit, or 150% of his or her personal contributions with interest, to a locked-in plan.

In addition, excess contributions, as defined in the plan, will be paid if applicable.

For deferred pension benefits, the highest five-year average annual salary used in the benefit calculation is adjusted at the time the pension is granted for cost of living changes during the deferral period.

BC RAIL LTD. PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

1. DESCRIPTION OF THE BC RAIL LTD. PENSION PLAN (continued)

d) Termination Benefits and Reciprocal Arrangements (continued)

The plan has reciprocal pension arrangements with certain other pension plans which may benefit members who have service under those plans.

e) Other Benefits

Disability and survivor benefits are available under the plan.

f) Income Taxes

The plan is a Registered Pension Plan as defined in the *Income Tax Act (Canada)* and is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the aggregate financial position of the plan as a separate financial reporting entity, independent of the plan's contributing employer and members.

b) Investments

Investments are stated at market value. Market value is derived from external quotations or appraisals. Investment purchases and sales are recorded on trade date.

c) Investment Income

Investment income is recorded on the accrual basis.

BC RAIL LTD. PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

3. INVESTMENTS (Market Value)

	2000	1999
	($ Thousands)	
Short-term	$ 6,772	$ 17,850
Canadian Bonds	243,124	206,899
Canadian Equities	167,464	178,303
U.S. Equities	81,043	80,991
International Equities	54,291	53,227
Mortgages	20,673	20,752
Real Estate	47,269	42,178
	$620,636	$600,200

Pension plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the net assets of the pooled fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East. Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of Canadian diversified income-producing properties.

4. INVESTMENT INCOME

	2000			1999
	Income Allocation	Current Period Change in Market Value	Total	Total
		($ Thousands)		*($ Thousands)*
Short-term	$ 1,364	$ 37	$ 1,401	$ 855
Canadian Bonds	13,606	8,722	22,328	(1,935)
Canadian Equities	2,543	18,015	20,558	39,480
U.S. Equities	1,137	(4,222)	(3,085)	10,333
International Equities	830	(9,615)	(8,785)	11,417
Mortgages	1,501	490	1,991	921
Real Estate	2,039	1,891	3,930	3,821
	$23,020	$15,318	38,338	$64,892
Investment Management Costs			(911)	(710)
Net Investment Income			$37,427	$64,182

BC RAIL LTD. PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

4. INVESTMENT INCOME (continued)

The income allocation portion of investment income represents pooled investment portfolio income attributable to the pension fund, as a unitholder, and as calculated by the British Columbia Investment Management Corporation, as well as interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

5. CONTRIBUTIONS

	2000	1999
	($ Thousands)	
Members' contributions		
Leave of absence	$1	$15
Employer's contributions		
Leave of absence	1	7
Total Contributions	$2	$22

As a result of plan surplus, a contribution holiday began July 1, 1996 and was in effect throughout 2000.

6. OBLIGATIONS FOR PENSION BENEFITS

An actuarial valuation is performed at least once every three years. The latest valuation was made as of December 31, 1999 by William M. Mercer Limited. The calculations to December 31, 2000 are based upon an extrapolation from the December 31, 1999 valuation. At the last valuation, net assets for the purposes of the valuation were $568.0 million, accrued pension benefits were $430.8 million, with a resulting net surplus of $137.2 million.

The present value of the accrued pension benefit obligation was determined using the projected benefit method prorated on service, best estimate assumptions adopted by BC Rail Ltd. on the advice of the actuary, and other estimates as prescribed by the Canadian Institute of Chartered Accountants.

Using the long-term assumptions (asset rate of return of 7.0% per year and salary escalation rate of 2.5% per year), the extrapolated actuarial value of net assets at September 30, 2000 is $642.0 million and the extrapolated accrued pension benefits are $421.9 million. Therefore, the extrapolated net surplus as at September 30, 2000 is $220.1 million.

BC RAIL LTD. PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

6. OBLIGATIONS FOR PENSION BENEFITS (continued)

In the short term, actual wage increases, investment earnings and the incidence of retirements and withdrawals may vary significantly from the long-term assumptions used in the extrapolation. While the actual experience is recognized when the complete actuarial valuation takes place, these variances can limit the accuracy of short-term extrapolations made between valuation dates. The next valuation will be prepared as at December 31, 2000.

An "indexing reserve" was established effective January 1, 1990. The reserve represents fund assets set aside for the funding of any indexing granted in years when fund investment performance would not otherwise permit indexing as envisaged in the plan provisions. This reserve is increased in years when the plan's excess returns are more than that required to provide full inflation adjustments, or decreased to "top up" the amount available for indexing in years when the excess returns do not provide full inflation adjustments. At the last valuation, the value of the reserve was $53.7 million as at December 31, 1999.

7. FUNDING POLICY - CONTRIBUTIONS

Members and BC Rail Ltd. have been on a temporary suspension of contributions (contribution holiday) since July 1, 1996. The contribution holiday is a result of the plan's surplus position and the situation will be reviewed annually.

Prior to the contribution holiday, members contributed to the plan 4.5% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($37,600 in 2000), and 6% of pensionable earnings above that. No contributions are required after completion of 35 years of credited service, or while a member is on an approved long-term disability absence.

The actuarial valuation determines the employer contribution rate. However, the employer contributions cannot be less than the members' required contributions.

8. RELATED PARTY TRANSACTIONS

a) Administration, Actuarial and Medical Plan Costs

Administration and actuarial costs incurred are not reflected in the Statement of Changes in Net Assets Available for Benefits. These expenses are paid directly by the employer and are not included as expenses of the pension plan (2000 - $216,845; 1999 - $299,631).

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8. RELATED PARTY TRANSACTIONS (CONTINUED)

a) Administration, Actuarial and Medical Plan Costs (continued)

Medical plan premiums for pensioners are also paid separately from the pension plan by BC Rail Ltd. (2000 - $440,992; 1999 - $405,098). BC Rail also provides extended health benefit coverage for retirees.

b) Investment Management Costs

The British Columbia Investment Management Corporation (bcIMC) has responsibility for managing investments on behalf of the plan and uses internal and external investment managers for this purpose. Total investment management fees for 2000 were $911,094. Of this amount, $277,467 was charged for bcIMC's internal investment management services (1999 - total fees $709,745; internal management services $160,301).